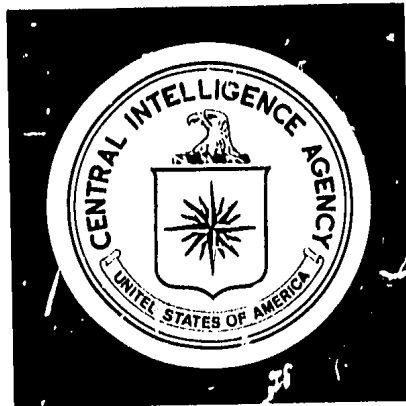


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**DIRECTORATE OF
INTELLIGENCE**

Intelligence Memorandum

Norway Says "No" to the EC

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
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INTELLIGENCE MEMORANDUM

Norway Says "No" to the EC

Norway's rejection of EC membership came as something of a blow to the cause of West European integration and the concept of a European consensus through consultation. So far three of the other four Nordic countries have sought less than full membership in the EC. The fifth, Denmark, will vote on the issue on 2 October, and the outcome, after Norway, is in doubt. Within Norway, the rejection promises to usher in a period of economic uncertainties and political instability that could last until elections next year. In the meantime, a successor to the Bratteli government must be found, and it must face the task of negotiating some kind of free trade arrangements with an obviously miffed EC.

First, a Political Problem

Norway's decisive rejection of EC membership in the referendum on 24-25 September signals a victory for Norwegian parochialism and Scandinavian regionalism. The vote was nonpartisan; the issue split all parties. The vote served notice on future Norwegian governments that an electorate that has traditionally resented guidance from Oslo emphatically spurns directives from Brussels.

Note: This memorandum was produced by the Office of Current Intelligence and coordinated with the Office of Economic Research.

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The Norwegians must now sort themselves out politically. First they must produce a successor to the minority Labor government of Prime Minister Trygve Bratteli, who is expected to resign a few days after the parliament reconvenes on 2 October. The constitution does not permit the early dissolution of parliament and early elections. King Olav V will therefore have to ask one of the party leaders to form a new government without interim elections. Former prime minister Per Borten of the Center Party may be asked to try to revive the old four-party coalition--Conservative, Liberal, Center, and Christian Peoples parties.

Borten resigned in 1971 after it became public knowledge that he was secretly sabotaging the pro-EC policy of the non-socialist coalition he led. Bratteli's minority government filled the breach. At that time, it was believed that once the EC issue was out of the way, the old coalition, which still has a majority in parliament, would return to office. That prophesy could yet be fulfilled, but there are other options. The two leaders of the anti-EC movement, Borten of the Center Party and Hallvard Eika of the Liberals, could, perhaps, form a government, even though the two largest parties in parliament have said they would not collaborate, leaving such a coalition with only 40 of the 150 seats in parliament. An all-party coalition, and even a Labor government under new leadership, have been mentioned. If no alternate government can be found, the King might ask Bratteli to continue until the next election. But whatever emerges, Norway is entering a period of governmental instability.

Next, Economic Issues

Any new government will face the problem of developing economic alternatives to EC membership. Once again, several possibilities exist. The most promising is a free trade agreement with the EC similar to the ones negotiated by Sweden and Finland. The EC has negotiated trade agreements with all other EFTA members, and is committed to making arrangements with Denmark. Regardless of the irritation in Brussels, most EC members realize that for political and security reasons they cannot afford to cut Norway adrift.

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Another option could develop if Denmark rejects membership in its referendum on 2 October. The five Nordic countries might then move to affiliate with the market as a unit. Such a possibility has been rumored, but its feasibility has not been fully investigated. Finally, Norway could remain completely outside the EC. But, in this case, it could be left in the unenviable position of being the only EFTA member facing the full brunt of the community's common external tariff. This could make Norway a less attractive target for foreign investment, which could slow industrial growth, particularly of petroleum and metal industries.

Effect on the EC

The Norwegian vote will have little immediate impact on the EC itself. Slight changes in structure, such as the number of vice presidents in the commission and voting procedures in the council, will result as Brussels prepares for a group of nine rather than ten. The EC summit set for 19-20 October will not be affected, although some EC officials are arguing that the setback has made a successful summit more important than before. Norway's absence may adversely affect an improvement in the political balance that might have resulted from the market's expansion. It may also reduce the influence of Britain, which shared a number of common objectives with Norway, and it will lessen the weight of smaller members in EC affairs.

Norway's decision to stay out also constitutes a rejection of the EC as a forum for political consultation among the states of Western Europe. The issues on which the EC members are attempting to concert their views are steadily increasing in number and importance, and the results achieved, though by no means spectacular, could be a base for something like a European foreign policy.

The rejection of EC membership could signal a shift by Norway toward a more neutral foreign political alignment. Although all of Norway's

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major political parties are committed to NATO membership, the possibility of some erosion in that commitment must be taken seriously. First, the no vote came from an improbable coalition of conservative farmers and fishermen, the far left, and youth. Among these same groups can be found some of the severest critics of Norway's post-war foreign policies. Second, the advocates of entry made Norway's post-war foreign policy an important issue in the campaign. Finally, the government's efforts to buy off the leftists by such moves as recognizing North Vietnam obviously failed to satisfy them, and may even have whetted their appetites.

With their country outside the EC, but in NATO, the Norwegians will find themselves in the somewhat uncomfortable company of such countries as Portugal and Greece. The Norwegians will therefore seek firmer ties to the Nordic neutrals, Sweden and Finland, and Sweden is probably prepared to cooperate. We may therefore see an increase in Nordic political and economic solidarity.

Reactions Elsewhere

Moscow doubtless is pleased with the Norwegian referendum. The Soviets have grudgingly accepted the fact of the EC, but they have sought, for a variety of political and economic reasons, to slow its growth. The Soviets campaigned against accession in both Norway and Denmark and will try to take advantage of any economic or political dislocations that now occur. Moscow may be encouraged to press even harder among the European neutrals, especially Finland and Austria, to ensure a proper "balance" in their orientation, and to convince all concerned that a relationship with CEMA is required to offset arrangements with the EC.

For West German Chancellor Brandt and the UK's pro-EC Laborites, who campaigned for Bratteli, the defeat carries a certain loss of prestige. In the

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case of the pro-EC Laborites, it could hurt their chances of defeating a Labor Party resolution to withdraw from the EC if the Laborites return to power. The French media have minimized the economic aspects of Norway's decision, but are worried about the damage to the concept of West European unification.

Implications for Denmark

The most immediate and significant impact of the Norwegian veto will come in Denmark. Danish voters will decide whether to enter the EC on 2 October. The rules governing the conduct of the Danish referendum give pro-EC forces a better chance than they had in Norway. To guard against a small turnout, Parliament has decreed that the negative vote must exceed 30 percent of all registered voters as well as top the favorable vote to defeat entry.

The latest poll, in which Danes were asked how they would vote if Norway rejected EC entry, showed 44 percent in favor of joining the EC, 36 percent opposed, and 20 percent undecided. Last week, following a country-wide campaign tour, Prime Minister Krag estimated a very slight margin favoring entry. This was before the Norwegian vote.

Danish attitudes toward the EC issue are governed primarily by the economic aspects rather than the nationalistic considerations that swayed the Norwegians. Devaluation, increasing unemployment, and other economic woes that, it is said, would follow EC rejection are arguments that may benefit pro-marketeers. Another argument for entry was provided by Norway's Prime Minister Bratteli who told Danish TV interviewers, even before the Norwegian vote, that the Scandinavians needed a "spokesman at Brussels."

On the other hand, the Danes' intrinsic Scandinavianism does tend to reject closer ties with continental Europeans, particularly with the Germans. Anti-EC forces will exploit this characteristic. Danish businessmen have already been hedging against a possible adverse vote, and Prime Minister

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Krag had to suspend foreign exchange transactions until after the referendum. Pro-EC forces have been claiming that devaluation is inevitable if Danish voters reject entry.

By all appearances, the vote will be extremely close, so close that one concerned official gave entry a 50-50 chance. The outcome could turn on relatively minor things, but with luck the pro-EC forces may squeak through.

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